
HLABISA MUNICIPALITY

ANNUAL BUDGET

2015/2016 TO 2016/2017

MEDIUM TERM REVENUE AND EXPENDITURE FORECASTS

PURPOSE

To seek Council approval in terms of section 24 of the Municipal Finance Management Act No. 56 of 2003, for the 2016/2017 MTREF.

PART 1

1.1 MAYOR'S REPORT

His worship the Mayor started his speech by emphasizing the importance of sticking to the Vision and Mission of Hlabisa Municipality as these are the keys in uplifting the lives of our local community.

Vision

"A prosperous and sustainable municipality ensuring the provision of basic services, skills, quality life and economic opportunities"

Mission Statement

- Exploring and exploiting natural resources and opportunities that we have,
- Through cooperative and collaborative working relations with all stakeholders, and
- Eradicating the vicious cycles of poverty, unemployment and other social ills.
- By enhancing our systems and processes to promote good governance,
- By upholding BATHO PELE Principles

Although our municipality is located in a rural place that is mostly harmed by high rate of unemployment, Illiteracy and other negative factors that hinder progress and service delivery to the local community. Hlabisa Local Municipality intend to do more with the available resources in order to enhance service delivery that aims at improving the quality of life for all people within it geographical area, Draft Budgeting is essential about choices that the municipality has to make between competing priorities and fiscal realities. As Hlabisa Municipality we need to remain focused on the effective and efficient delivery of core municipal services. The application of sound financial management principles is crucial to ensure that the municipality remains financial viable, and that sustainable municipal services are provided to the community at large.

In support to our objective of improving peoples life's through service delivery with the usage of available resources, the municipality has considered the following Turnaround strategies:

- Good corporate governance
- Transformation of infrastructure
- Financial viability and sustainability
- Management change and organisational review

A detailed delivery agreement has been developed to extend targets and responsibilities to National and Provincial departments, Hlabisa Local Municipality's financial plan must take into account some outcomes when developing its budget. It is of vital importance that the municipality must perform the following:

- Improve municipal financial and administrative capacity by implementing competency norms and standards.
- Ensure that capital budgets are appropriately prioritised and fully involved in community consultation process around IDP, Budget and other related service delivery issues.
- Review the municipal expenditures to eliminate fruitless and wasteful expenditures.
- Ensure effective maintenance and rehabilitation of infrastructure.
- Ensure effective spending of grants for funding extension.

1.2 Council Resolutions

On the 31st of March 2016 the Council of Hlabisa Local Municipality met in the Council Chamber of Hlabisa Local Municipality to consider the draft budget of the municipality for the financial year 2016/2017. The Council approved the following resolutions:

The Council of Hlabisa Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:

- 1.2.1 The annual budget of Hlabisa Local Municipality for the financial year 2016/2017 , the multi-year and single year capital appropriations as set out in the following tables:
- 1.2.2 Budgeted Financial performance (revenue and capital expenditure by standard classification) as contained in table A2 of the 2016/2017 final budget.
- 1.2.3 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in table A3 of the 2016/2017 final budget.
- 1.2.4 Budgeted Financial Performance (revenue by source and expenditure by types) as contained in table A4 of the 2016/2017 final budget.
- 1.2.5 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table A5 of the 2016/2017 final budget.
- 1.2.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:
- 1.2.3 Budgeted Financial Position as contained in Table A6 of the 2016/2017 final budget.
- 1.2.4 Budgeted Cash Flows as contained in Table A7 of the 2016/2017 final budget.
- 1.2.5 Cash backed reserves and accumulated surplus reconciliation as contained in Table A8 of the 2016/2017 final budget.
- 1.2.6 Asset management as contained in Table A9 and of the 2016/2017 final budget and
- 1.2.7 Basic service delivery measurement as contained in Table A10 of the 2016/2017 final budget.

The Council of Hlabisa Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts:

The tariffs for property rates and tariffs for other services – as set out in supporting table SA13.

1.3 EXECUTIVE SUMMARY

In terms of chapter 4, section 16 of the Municipal Finance Management Act (MFMA), no 56 Of 2003, the Draft operational and capital budget must be tabled by the Mayor at a council meeting 90 days before the start of the budget year.

The draft budget is set out under the following headings:

- Operational budgets
- Budget assumptions
- Capital budget

- Proposed tariff structures
- Measurable performance objectives for revenue
- Service agreements
- New budget regulations
- Budget related policies
- Public input
- Publication of budgets
- Draft resolutions

National Treasury's MFMA Circular No. 70 and 72 were used to guide the compilation of the 2016/17 MTREF.

The following budget principles and guidelines directly informed the compilation of the 2016/2017 MTREF:

- The 2015/16 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2016/2017 budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

Overview of Budget Related Policies

This section gives a broad overview of the budget policy framework and highlights the policies to be approved by Council by 30 June 2016

NAME OF POLICY	DATE OF FINAL APPROVAL
Property Rates Policy	03 July 2016
Tariff Policy	03 July 2016
Cash and Investment Policy	03 July 2016
Credit Control & Debt Collection Policy	03 July 2016
Budget Policy	03 July 2016
Budget virement Policy	03 July 2016
Supply Chain Management Policy	03 July 2016
Asset Management Policy	03 July 2016
Indigent Support Policy	03 July 2016

Tariffs for 2016/2017 are as follows after they have been adopted by council on the 3rd of July 2016.

Property Rates

- | | | |
|----|------------------------|-------------|
| 1. | Residential properties | 0.016913696 |
| 2. | Business Properties | 0.003324416 |
| 3. | Specialized Properties | 0.003324416 |

Refuse Removal

1. Residential Properties R 133.31 pm Fixed
2. Businesses R 166.64 pm Fixed
3. Government Properties R 166.64 pm Fixed

Overview of budget funding Consolidated

The total operating revenue increased by R5, 991 million for the 2016/2017 financial year when compared to the 2015/2016 Adjustment Budget. Equitable Share decreased from R 49,368 million to R 48,421 million.

Conditional grants allocation for 2016/2017 has increased to R 71,952 million when compared to the 2015/2016 Adjustment budget allocation of R 64,095 million.

The total operating expenditure for 2016/2017 financial year has been appropriated at R76,273 mil when compared to the 2015/2016 adjustment budget of R66,617 mil.

Table1 Consolidated Overview of the 2016/2017 MTREF

R thousand	Adjustment Budget 2015/16	Budget Year 2016/17	Budget Year 2017/18	Budget Year 2018/19
Total Operating Revenue	R71,390 mil	R77,381 mil	R79,751 mil	R75,691mil
Total Operating Expenditure	R66,617 mil	R76,273 mil	R79,414 mil	R80,052 mil
Surplus/(Deficit) for the year	R4,773 mil	R1,107 mil	R337 000	(R4,361 mil)
Total Capital Expenditure	16,452,000	R17,768 mil	R16,835 mil	R17,761 mil

Total operating revenue has increased to R77, 381 mil for the 2016/2017 financial year compared to the 2015/16 financial year Adjustment Budget. For the two outer years, R79, 751 mil and R75, 691mil respectively. This increase is due to the increase in grant funding, from R 65,952 mil to 71,952 mil.

Total operating Expenditure for the 2016/2017 financial year has been appropriated at R 76,273 mil and translates into an operating budgeted surplus of R 1,107, 000. When compared to the Adjustment Budget operating expenditure has grown by 14% per cent in the 2016/2017 budget and when compared to only an 8% increase in revenue, this budget is leaning on the conservative side.

The Capital budget pretty much remains the same with only a 1% increase from the adjustments budget.

1.4 OPERATING REVENUE FRAMEWORK

The operating budget summary provides information on both income activities in line with the annual budget and the proposed adjustment budget for the year under- review and the following will be discussed:

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy
- Efficiency revenue management, which ensures annual collection rate for property rates and other key service charges
- The municipality's Indigent Policy and Rendering of free basic Services

Table 2 Summary of revenue classified by main revenue source.

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	358	382	965	2,181	2,181	2,181	2,181	2,181	2,355	2,543
Property rates - penalties & collection charges		41	100	165			-	-			
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	141	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	141	145	228	80	86	86	86	93	100	108
Service charges - other		-	-	-	-	-	-	-			
Rental of facilities and equipment		311	156	197	325	292	292	292	316	341	368
Interest earned - external investments		577	478	572	372	813	813	813	878	949	1,024
Interest earned - outstanding debtors		-	-	-	33	70	70	70	76	82	88
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		545	430	598	300	120	120	120	130	140	151
Licences and permits		176	198	1,691	2,405	1,505	1,505	1,505	1,625	1,755	1,896
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		44,080	57,069	58,712	65,952	65,952	65,952	65,952	71,952	73,888	69,359
Other revenue	2	330	1,103	229	115	122	122	122	131	142	153
Gains on disposal of PPE		-	-	-	250	250	250	250			
Total Revenue (excluding capital transfers and contributions)		46,701	60,059	63,357	72,012	71,390	71,390	71,390	77,381	79,751	75,691

1.3.1 Property rates

This refers to property rates income that the municipality collects as budgeted. The annual budget for property rates amounted to R 2,181 mil. Although there is a slight increase in tariff, the expected amount remains more or less the same as we do not want to over-inflate revenue and be as prudent as possible. There is no valuation roll after the one introduced in 2014, therefore no increases in market value are expected. There was also no significant change in the rates policy, therefore no significant change in the amount billed for each customer. The current actual amount at the end of May is R 2, 117 mil, which is just R 80 000 short of the budgeted amount. Which is expected to be collected in the month of June.

1.3.3 Service Charges

This refers only to refuse removal income that the municipality collects as budgeted. The annual budget for service charges amounted to R 93 000.00 for 2016/2017 when compared to R86 000 for 2015/2016 financial year. This increase is due to additional collection points identified for 2016/2017 financial year as well as the slight increase in refuse collection tariff. Refuse removal income is currently sitting at R 71, 461 at the moment and it is safe to conclude that it will reach the R 86 000 reflected in the adjustment budget, and the R 93 000 slight increase in the 2016/17 financial year.

1.3.4 Rental of Facilities and Equipment

This refers to the rental and hiring of municipal facilities, for which the municipality budgeted R 316, just 8 percent higher than the adjustment budget. The increase in tariff for these facilities is included in the tariffs that have been approved by council for 2016/2017 financial year. Site rental are currently sitting at R 102 736, and Office rentals are sitting at R 63 122. However this amount is expected to double in the next financial year.

1.3.5 Interest Earned

This refers to the combination of monies invested by the municipality in various financial institutions both on call and fixed investments deposit accounts as well as interest on outstanding debtors.

1.3.5.1 External Investments

The budget for investment revenue is R 878 000. The municipality will invest all monies not yet used and only withdraw those funds when they are to be used. Interest on external investments is currently sitting at R 790, 516 for investments, R 185, 102 for Main account and other transactional accounts.

1.3.5.2 Outstanding Debtors

The anticipated interest for late payment of debtors account is R 76 000, for 2016/2017 financial year, slightly higher than the adjustment budget. Trusts are expected to be exempt in the next financial year, therefore, although rates penalties are currently sitting at R 474, 898, most of this amount will be written off.

1.3.6 Licences and Permits

The budget for Licences and Permits is R 1,625 mil in 2016/2017 financial year, this amount has increased from R 1,505 mil in the 2015/2016 adjustment budget. Although we expect a larger increase in this amount, we want to be conservative with our expected revenue. Licences and permits are currently sitting at R 1, 749, 324 end of May.

1.3.7 Traffic Fine

The budget for traffic fines is R 130 000, for 2016/2017, the reason this increase when compared to the 2015/2016 adjustment budget of R 120 000 is based on the target of Traffic Officers who will be implementing law enforcement within the jurisdiction of Hlabisa Municipality. Fines are currently sitting at R 65 275. This amount is expected to double in the next financial period as the increase of staff in the Traffic section and stricter law enforcement will contribute to the increase in revenue to be generated within this section.

1.3.8 Transfers Recognised- operational

This refers to operating grants gazetted during the year under-review by both National and Provincial Treasuries. The Draft budget for these is R 71,952 mil, which includes National Electrification Programme, Sports and Recreation, FMG, MSIG, Library Subsidy and EPWP Incentives Grant and Equitable Share allocation, including the demarcation grant.

1.3.8.1 Transfers Recognised- Capital

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This refers to Capital grants gazetted during the year under-review by National Treasury amounted to R 14,518 mil for MIG projects.

1.3.9 Other Own Revenue

Included on other own revenue are Bill Boards income, Sundry income, telephone costs recovered and sale of bid document etc. For this revenue source, an amount of R 131 000, was approved.

Table 3 Operating Transfers and Grants Receipts

KZN274 Hlabisa - Supporting Table SA18 Transfers and grant receipts

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		36,606	40,771	48,613	64,955	63,098	63,098	70,936	72,829	68,245
Local Government Equitable Share		22,306	27,617	36,879	49,368	49,368	49,368	48,421	50,645	53,571
Finance Management		1,500	1,650	1,800	1,000	1,000	1,000	2,227	2,318	2,474
Municipal Systems Improvement		800	890	934	930	1,800	1,800			
Integrated National Electrification Programme		12,000	9,000	8,000	10,000	10,000	10,000	12,200	14,030	12,200
EPWP Incentive		-	1,000	1,000	1,800	-	-	2,162		
Energy Efficiency and Demand Management						-	-		3,050	
Municipal Demarcation Transition Grant		-	614		1,857	930	930	5,926	2,785	
Provincial Government:		1,513	2,255	1,081	997	997	997	1,016	1,059	1,114
Sport and Recreation		675	1,350							
Provincialisation of Libraries		838	766	1,081	827	827	827	837	871	917
Community Library Services			139		170	170	170	179	188	197
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]		-	-							
		-	-							
Other grant providers:		-	-	-	-	-	-	-	-	-
LGWSETA SDL GRANT		-	-							
		-	-							
Total Operating Transfers and Grants	5	38,119	43,026	49,694	65,952	64,095	64,095	71,952	73,888	69,359
Capital Transfers and Grants										
National Government:		11,915	8,129	8,290	14,345	14,345	14,345	14,518	13,286	13,920
Municipal Infrastructure Grant (MIG)		11,915	8,129	8,290	14,345	14,345	14,345	14,518	13,286	13,920
Integrated National Electrification Programme		-	-							
		-	-							
		-	-							
		-	-							
Provincial Government:		-	-	-	-	-	-	-	-	-
Other capital transfers/grants [insert description]										
District Municipality:		-	-	-	-	-	-	-	-	-
[insert description]										
Other grant providers:		-	-	-	-	-	-	-	-	-
LGWSETA SDL GRANT										
Total Capital Transfers and Grants	5	11,915	8,129	8,290	14,345	14,345	14,345	14,518	13,286	13,920
TOTAL RECEIPTS OF TRANSFERS & GRANTS		50,034	51,155	57,984	80,297	78,440	78,440	86,470	87,173	83,279

The above table shows the receipts of Grants funded by both National Government and Provincial Government.

1.5 OPERATING EXPENDITURE FRAMEWORK

Table 4 Summary of operating expenditure by standard classification item

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Expenditure By Type											
Employee related costs	2	16,513	18,524	21,852	27,949	26,899	26,899	26,899	29,051	31,375	33,885
Remuneration of councillors		3,756	3,798	3,937	5,307	4,407	4,407	4,407	4,759	5,140	5,551
Debt impairment	3	1,299	(420)	527	326	526	526	526	568	613	662
Depreciation & asset impairment	2	4,473	5,923	6,964	4,715	6,715	6,715	6,715	7,871	8,462	9,385
Finance charges		275	335	567	250	300	300	300	150		
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	775	343	492	1,740	1,570	1,570	1,570	3,000	3,240	3,499
Contracted services		-	298	277	1,559	1,659	1,659	1,659	1,792	1,935	2,090
Transfers and grants		9,610	-	-	10,600	10,600	10,600	10,600	12,700	14,570	12,783
Other expenditure	4, 5	16,107	33,301	23,852	13,110	13,942	13,942	13,942	16,383	14,079	12,197
Loss on disposal of PPE		-	-	1,438							
Total Expenditure		52,806	62,102	59,906	65,555	66,617	66,617	66,617	76,273	79,414	80,052

1.3.10 Employee Related Costs

This refers to the salaries and benefits paid to employees. An amount of R 29,051 mil is budgeted for in the 2016/2017 financial year when compared to the amount of R 26,899 mil of 2015/2016 Adjustment budget. The increase of 8 per cent increase on employee related costs is due to the fact that no significant changes in staff are anticipated, and positions that are not filled that were budgeted for will be carried over to the next financial period, with a slight increment applied.

1.3.11 Remuneration of Councillors.

An amount of R 6,271 mil for councillor's allowances and benefits is budgeted for in the 2016/2017 financial year when compared with the 2015/2016 financial year budget of R 5,807 m. This budget is in line with the councillors' upper limits gazetted by minister for category 2 municipality.

1.3.12 Depreciation and Asset Impairment

This refers to the provision of depreciation, amortisation and asset impairment as required by applicable standards that it must be provided for in line with asset management policy. An amount of R 6,679 mil was approved.

1.3.13 Finance Charges

This refers to charges of machines under finance lease, the approved amount is R 150 000, including capital amount and interest. This lease term and agreement is expected to terminate in February 2017.

1.3.14 Other Expenditure

This refers to the other expenditures incurred by the municipality. An amount of R 16,383 mil is budgeted for in the 2016/2017 financial year when compared to 2015/2016 Adjustment budget of R 13,942 mil. This increase is largely due to an amount of 5,828 mil expected to be spent against the demarcation grant. Other than the grant expenditure, this item includes general expenses like advertising, printing and stationery, S & T expenses, consultancy fees, audit fees and EPWP programme.

1.3.15 Transfers and Grants

This refers to transfers, which the municipality will receive from National and Provincial Departments as well as indigent support to communities that qualify to get indigent support. This budget is R 12 m resulting from 61%-39% split with Big 5 False Bay, the municipality with which we will merge after Local Government elections.

1.3.16 Contracted Services

This refers to all contracted services to other parties that provide services on behalf of the municipality. The approved amount was R 1,792 mil and which is as a result mainly the increase in security expenditure and management contracts in line with existing contracts. This expenditure is only 8 percent higher than the adjustment budget.

Table 5 Operational repairs and other Materials

KZN274 Hlabisa - Supporting Table SA1 Supporting detail to 'Budgeted Financial Performance'

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
Repairs and Maintenance by Expenditure Item	8										
Employee related costs		3,698	4,093		197	197	197	197	213	230	248
Other materials		775	343	1,698	1,740	1,570	1,570	1,570	3,000	3,240	3,499
Contracted Services		-	-				-	-			
Other Expenditure		-	-				-	-			
Total Repairs and Maintenance Expenditure	9	4,473	4,436	1,698	1,937	1,767	1,767	1,767	3,213	3,470	3,747

This refers to the budget of repairs and maintenance and other materials. The budgeted amount is R 3,213 mil. This has been increased to move towards meeting the requirements of Circular no. 55 which stipulates that repairs and maintenance should be at least 8 per cent of the PPE value. However we are content with R3, 213 mil.

1.4 CAPITAL BUDGET

The budget for capital budget was R 16,452 mil in the adjustment budget, now increased including internal generated fund to R 17,768 mil. From over R 5 mil of internally generated funds, R3, 250 is expected to be allotted to capital projects.

1.4.1 Capital Transfers

KZN274 Hlabisa - Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Expenditure - Standard											
<i>Governance and administration</i>		116	506	194	1,507	1,507	1,507	1,507	1,628	1,758	1,898
Executive and council		108	356	-	1,300	1,300	1,300	1,300	1,404	1,516	1,638
Budget and treasury office		8	150	194	207	207	207	207	224	241	261
Corporate services		-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		9,454	6,603	5,835	11,345	11,345	11,345	11,345	12,253	10,878	11,327
Community and social services		9,454	850	5,532	8,196	8,196	8,196	8,196	8,852	7,205	7,360
Sport and recreation		-	5,553	-	2,549	2,549	2,549	2,549	2,753	2,973	3,211
Public safety		-	200	303	600	600	600	600	648	700	756
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		1,160	3,144	2,176	3,600	3,600	3,600	3,600	3,888	4,199	4,535
Planning and development		1,160	3,144	2,176	3,600	3,600	3,600	3,600	3,888	4,199	4,535
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
<i>Other</i>		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	10,729	10,253	8,205	16,452	16,452	16,452	16,452	17,768	16,835	17,761
Funded by:											
National Government		10,621	7,435	7,563	14,345	14,345	14,345	14,345	14,518	13,286	13,920
Provincial Government		-	1,750	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	10,621	9,185	7,563	14,345	14,345	14,345	14,345	14,518	13,286	13,920
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		108	1,068	642	2,107	2,107	2,107	2,107	3,250	3,549	3,840
Total Capital Funding	7	10,729	10,253	8,205	16,452	16,452	16,452	16,452	17,768	16,835	17,761

1.4.1.1 National and Provincial

For 2016/2017 an amount of R 14,280 mil has been appropriated for the development of infrastructure assets. This refers to transfers from National Treasury for capital projects. The budget is R 17,768 mil including internal generated funds for 2016/2017 financial year. It has been increased compared to the Adjustment budget for 2013/14. The outer years has been slightly reduced to R 16,835 mil and R 17,768 mil, this budget is for new projects, excluding the renewal of existing assets.

1.4.1.2 Internal Funding

Total revenue, apart from grant funding, is R 5,429 mil, therefore R 3,250 mil will be used to assist with capital projects.

PART 2

2.1 Budget Financial Performance (revenue and expenditure)

KZN274 Hlabisa - Table A4 Budgeted Financial Performance (revenue and expenditure)											
Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand	1										
Revenue By Source											
Property rates	2	358	382	965	2,181	2,181	2,181	2,181	2,181	2,355	2,543
Property rates - penalties & collection charges		41	100	165			-	-			
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	141	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	141	145	228	80	86	86	86	93	100	108
Service charges - other		-	-	-	-	-	-	-			
Rental of facilities and equipment		311	156	197	325	292	292	292	316	341	368
Interest earned - external investments		577	478	572	372	813	813	813	878	949	1,024
Interest earned - outstanding debtors		-	-	-	33	70	70	70	76	82	88
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines		545	430	598	300	120	120	120	130	140	151
Licences and permits		176	198	1,691	2,405	1,505	1,505	1,505	1,625	1,755	1,896
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers recognised - operational		44,080	57,069	58,712	65,952	65,952	65,952	65,952	71,952	73,888	69,359
Other revenue	2	330	1,103	229	115	122	122	122	131	142	153
Gains on disposal of PPE		-	-	-	250	250	250	250			
Total Revenue (excluding capital transfers and contributions)		46,701	60,059	63,357	72,012	71,390	71,390	71,390	77,381	79,751	75,691
Expenditure By Type											
Employee related costs	2	16,513	18,524	21,852	27,949	26,899	26,899	26,899	29,051	31,375	33,885
Remuneration of councillors		3,756	3,798	3,937	5,307	4,407	4,407	4,407	4,759	5,140	5,551
Debt impairment	3	1,299	(420)	527	326	526	526	526	568	613	662
Depreciation & asset impairment	2	4,473	5,923	6,964	4,715	6,715	6,715	6,715	7,871	8,462	9,385
Finance charges		275	335	567	250	300	300	300	150		
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8	775	343	492	1,740	1,570	1,570	1,570	3,000	3,240	3,499
Contracted services		-	298	277	1,559	1,659	1,659	1,659	1,792	1,935	2,090
Transfers and grants		9,610	-	-	10,600	10,600	10,600	10,600	12,700	14,570	12,783
Other expenditure	4, 5	16,107	33,301	23,852	13,110	13,942	13,942	13,942	16,383	14,079	12,197
Loss on disposal of PPE		-	-	1,438							
Total Expenditure		52,806	62,102	59,906	65,555	66,617	66,617	66,617	76,273	79,414	80,052
Surplus/(Deficit)		(6,105)	(2,043)	3,452	6,457	4,773	4,773	4,773	1,107	337	(4,361)
Transfers recognised - capital					14,345	14,345	14,345	14,345	14,518	13,286	13,920
Contributions recognised - capital	6	-	-	-	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		(6,105)	(2,043)	3,452	20,802	19,118	19,118	19,118	15,625	13,622	9,559
Taxation							-	-			
Surplus/(Deficit) after taxation		(6,105)	(2,043)	3,452	20,802	19,118	19,118	19,118	15,625	13,622	9,559
Attributable to minorities							-	-			
Surplus/(Deficit) attributable to municipality		(6,105)	(2,043)	3,452	20,802	19,118	19,118	19,118	15,625	13,622	9,559
Share of surplus/ (deficit) of associate	7						-	-			
Surplus/(Deficit) for the year		(6,105)	(2,043)	3,452	20,802	19,118	19,118	19,118	15,625	13,622	9,559

The above table shows the consolidated financial performance for Hlabisa local municipality, its Revenue and Expenditure.

2.2 Councillors and employee benefits

Due to the number of positions filled in the 2015/2016 financial year, employee related costs have been adjusted upwards but the Municipality is not above the National Treasury Threshold on employee related costs which is between 25-40 percent. Currently the municipality employee related costs is sitting at a healthy 31, 5% of the total operating expenditure.

KZN274 Hlabisa - Supporting Table SA22 Summary councillor and staff benefits

Summary of Employee and Councillor remuneration R thousand	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
		A	B	C	D	E	F	G	H	I
Councillors (Political Office Bearers plus Other)	1									
Basic Salaries and Wages		2,238	2,417	2,611	3,961	4,361	4,361	4,710	5,087	5,493
Pension and UIF Contributions		-	-	-	-	-	-	-	-	-
Medical Aid Contributions		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance		-	-	-	-	1,033	1,033	1,116	1,205	1,301
Cellphone Allowance		-	-	-	-	331	331	358	387	418
Housing Allowances		-	-	-	-	-	-	-	-	-
Other benefits and allowances		1,518	1,639	1,770	1,345	82	82	88	95	103
Sub Total - Councillors		3,756	4,056	4,381	5,306	5,807	5,807	6,272	6,773	7,315
% increase	4		8.0%	8.0%	21.1%	9.4%	-	8.0%	8.0%	8.0%
Senior Managers of the Municipality	2									
Basic Salaries and Wages		1,232	1,330	1,437	848	944	944	1,019	1,101	1,189
Pension and UIF Contributions		65	70	76	83	83	83	89	96	104
Medical Aid Contributions		-	-	-	57	57	57	62	67	72
Overtime		-	-	-	-	-	-	-	-	-
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	486	525	567	110	110	110	118	128	138
Cellphone Allowance	3	42	45	49	27	81	81	88	95	102
Housing Allowances	3	132	143	154	57	33	33	35	38	41
Other benefits and allowances	3	283	306	330	108	93	93	100	108	117
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality		2,240	2,419	2,613	1,289	1,400	1,400	1,512	1,633	1,764
% increase	4		8.0%	8.0%	(50.7%)	8.6%	-	8.0%	8.0%	8.0%
Other Municipal Staff										
Basic Salaries and Wages		9,759	7,173	9,593	16,110	17,934	17,934	18,067	19,513	21,074
Pension and UIF Contributions		28	30	33	1,571	1,571	1,571	1,696	1,832	1,978
Medical Aid Contributions		336	363	392	1,092	1,082	1,082	1,168	1,261	1,362
Overtime		824	890	961	600	750	750	810	875	945
Performance Bonus		-	-	-	-	-	-	-	-	-
Motor Vehicle Allowance	3	526	568	613	2,082	2,082	2,082	2,248	2,428	2,622
Cellphone Allowance	3	841	908	981	507	903	903	975	1,053	1,137
Housing Allowances	3	527	569	614	1,082	618	618	667	720	778
Other benefits and allowances	3	1,433	1,548	1,672	2,045	1,766	1,766	1,907	2,060	2,225
Payments in lieu of leave		-	-	-	-	-	-	-	-	-
Long service awards		-	-	-	-	-	-	-	-	-
Post-retirement benefit obligations	6	-	-	-	-	-	-	-	-	-
Sub Total - Other Municipal Staff		14,273	12,049	14,859	25,088	26,704	26,704	27,539	29,742	32,121
% increase	4		(15.6%)	23.3%	68.8%	6.4%	-	3.1%	8.0%	8.0%
Total Parent Municipality		20,269	18,524	21,852	31,682	33,911	33,911	35,322	38,148	41,200

2.3 Financial Position

KZN274 Hlabisa - Table A6 Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		40	49	4,940	5,571	5,571	5,571	5,571	7,545	8,149	8,801
Call investment deposits	1	6,832	2,557	–	7,170	7,170	7,170	7,170	3,719	4,016	4,338
Consumer debtors	1	548	1,062	2,212	349	2,992	2,992	2,992	3,231	3,489	3,768
Other debtors		–	–	1,839	2	2	2	2	3	3	3
Current portion of long-term receivables		–	–	–	1,385	1,385	1,385	1,385	1,198	1,294	1,398
Inventory	2	8	3	–	6	6	6	6	7	7	8
Total current assets		7,429	3,670	8,991	14,483	17,125	17,125	17,125	15,703	16,959	18,316
Non current assets											
Long-term receivables		–	–	–	–	–	–	–	–	–	–
Investments		–	–	–	–	–	–	–	–	–	–
Investment property		18,544	18,544	293	19,471	19,471	19,471	19,471	20,445	22,080	23,847
Investment in Associate		–	–	–	–	–	–	–	–	–	–
Property, plant and equipment	3	69,986	107,558	107,373	96,842	116,434	116,434	116,434	126,330	134,703	143,078
Agricultural		–	–	–	–	–	–	–	–	–	–
Biological		–	–	–	–	–	–	–	–	–	–
Intangible		403	228	439	403	403	403	403	423	457	493
Other non-current assets		1,696	1,696	14	2,017	2,017	2,017	2,017	2,300	2,484	2,683
Total non current assets		90,629	128,026	108,119	118,733	138,325	138,325	138,325	149,498	159,724	170,100
TOTAL ASSETS		98,058	131,696	117,110	133,216	155,450	155,450	155,450	165,201	176,683	188,416
LIABILITIES											
Current liabilities											
Bank overdraft	1	665	856	–	–	–	–	–	–	–	–
Borrowing	4	385	444	828	1,125	1,125	1,125	1,125	–	–	–
Consumer deposits		–	–	–	–	–	–	–	–	–	–
Trade and other payables	4	16,035	13,270	15,900	8,272	8,272	8,272	8,272	4,909	5,302	5,726
Provisions		–	–	–	–	–	–	–	–	–	–
Total current liabilities		17,084	14,569	16,728	9,397	9,397	9,397	9,397	4,909	5,302	5,726
Non current liabilities											
Borrowing		932	488	2,071	1,125	1,125	1,125	1,125	–	–	–
Provisions		–	–	5,446	–	–	–	–	–	–	–
Total non current liabilities		932	488	7,517	1,125	1,125	1,125	1,125	–	–	–
TOTAL LIABILITIES		18,016	15,058	24,245	10,522	10,522	10,522	10,522	4,909	5,302	5,726
NET ASSETS	5	80,042	116,638	92,865	122,693	144,928	144,928	144,928	160,292	171,381	182,690
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		80,042	84,462	92,865	122,693	144,928	144,928	144,928	160,292	171,381	182,690
Reserves	4	–	–	–	–	–	–	–	–	–	–
		–	32,177	–	–	–	–	–	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	5	80,042	116,638	92,865	122,693	144,928	144,928	144,928	160,292	171,381	182,690

The above table indicates the assets, liabilities and equity of Hlabisa Municipality for the financial year 2016/2017.

2.4 Cash backed reserved/Accumulated Surplus Reconciliation

KZN274 Hlabisa - Table A8 Cash backed reserves/accumulated surplus reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	6,207	1,749	4,940	10,873	(3,271)	3,719	3,719	11,156	20,486	26,084
Other current investments > 90 days		-	(0)	0	1,868	16,012	9,022	9,022	108	(8,321)	(12,945)
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		6,207	1,749	4,940	12,741	12,741	12,741	12,741	11,264	12,165	13,139
Application of cash and investments											
Unspent conditional transfers		11,649	5,122	6,376	7,170	7,170	7,170	7,170	3,719	4,016	4,338
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	3,856	7,032	6,677	886	(1,185)	(1,185)	(1,185)	(1,101)	(2,148)	(2,320)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		15,505	12,154	13,053	8,056	5,985	5,985	5,985	2,617	1,868	2,017
Surplus(shortfall)		(9,298)	(10,404)	(8,113)	4,685	6,756	6,756	6,756	8,647	10,297	11,121

The amount of R 11,264 m is budgeted as the cash and investments that are expected to be available for the 2016/2017 financial year.

2.5 Cash Flow Statement

KZN274 Hlabisa - Table A7 Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates, penalties & collection charges		1,912	1,856	430	399	399	399	399	981	2,355	2,543
Service charges		64	74	47	48	48	48	48	42	100	108
Other revenue		-	-	2,385	2,895	2,895	2,895	2,895	2,202	2,378	2,568
Government - operating	1	36,719	47,789	50,416	65,952	65,952	65,952	65,952	71,952	73,888	69,359
Government - capital	1	11,915	9,479	8,296	14,345	14,345	14,345	14,345	14,518	13,286	13,920
Interest		577	703	443	372	813	813	813	878	949	1,024
Dividends		-	-	-	-	-	-	-	-	-	-
Payments											
Suppliers and employees		(30,537)	(41,540)	(41,048)	(49,665)	(64,200)	(57,210)	(57,210)	(54,984)	(55,769)	(57,222)
Finance charges		(275)	(181)	(405)	(250)	(300)	(300)	(300)	(150)	-	-
Transfers and Grants	1	(10,000)	(12,000)	(8,391)	(10,600)	(10,600)	(10,600)	(10,600)	(12,700)	(14,570)	(12,783)
NET CASH FROM/(USED) OPERATING ACTIVITIES		10,376	6,180	12,173	23,496	9,352	16,342	16,342	22,739	22,616	19,518
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) other non-current receivables		-	-	-	-	-	-	-	-	-	-
Decrease (Increase) in non-current investments		-	-	-	-	-	-	-	-	-	-
Payments											
Capital assets		(10,729)	(10,253)	(8,205)	(16,452)	(16,452)	(16,452)	(16,452)	(14,518)	(13,286)	(13,920)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(10,729)	(10,253)	(8,205)	(16,452)	(16,452)	(16,452)	(16,452)	(14,518)	(13,286)	(13,920)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	-	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits		-	-	-	-	-	-	-	-	-	-
Payments											
Repayment of borrowing		(414)	(385)	(746)	(1,125)	(1,125)	(1,125)	(1,125)	(783)	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		(414)	(385)	(746)	(1,125)	(1,125)	(1,125)	(1,125)	(783)	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(767)	(4,458)	3,222	5,919	(8,225)	(1,235)	(1,235)	7,437	9,330	5,598
Cash/cash equivalents at the year begin:	2	6,974	6,207	1,718	4,954	4,954	4,954	4,954	3,719	11,156	20,486
Cash/cash equivalents at the year end:	2	6,207	1,749	4,940	10,873	(3,271)	3,719	3,719	11,156	20,486	26,084

The above table shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. The full year focus for 2015/16 provide for further net decrease in cash of R (1,235) mil, for the 2016/17 financial year resulting in an overall projected cash position of R 11,156, at year end. With a net increase of R7, 437 mil, from an opening balance of R3, 719, entirely made up of unspent conditional grants.

3. Recommendations.

It is recommended.

- That the 2016/2017 Final budget be approved and adopted by Council in the prescribed framework i.e. A1 Schedule.